

Management Discussion and Analysis 管理層討論及分析

Paper Bags & Gift Boxes



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group's consolidated turnover for the financial year ended 31 December 2004 amounted to HK\$165 million, representing an increase of 90% over the HK\$87 million consolidated turnover recorded in the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group was maintained at a healthy level. There was no bank borrowing during the year and the gearing ratio of the Group, expressed as the percentage of the Group's total liability over the shareholders' fund of approximately HK\$71 million was increased from 29% to 90% due to substantial investment in subsidiaries engaging in toys manufacturing business.

The Group also maintains sufficient working capital with net current assets of approximately HK\$34 million as at 31 December 2004 (2003: HK\$35.9 million). Current ratio has been kept at a healthy level of around 1.77 times (2003: 4.3). The Group's bank and cash balance amounted to approximately HK\$29.5 million at the year-end (2003: HK\$18.9 million).

CAPITAL EXPENDITURE COMMITMENTS

Capital Commitments

At 31 December 2004, the Group had the capital expenditure in respect of property, plant and equipment of approximately HK\$32,172,000 (2003: nil) contracted for but not accounted for in the financial statements.



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業績回顧

本集團於截至二零零四年十二月三十一日止財政年度之綜合營業額達港幣165,000,000元，較去年之綜合營業額港幣87,000,000元增加90%。

流動性及財務資源

本集團之財務狀況保持穩健。年內無任何銀行借款。本集團之資本與負債比率，即負債總額對股東資金(約港幣71,000,000元)之比率已從29%增至90%，原因是大量投資於從事現具製造業務之附屬公司所致。



本集團之營運資金保持充裕，於二零零四年十二月三十一日，本集團之流動資產淨值約為港幣34,000,000元(二零零三年：港幣35,900,000元)，流動比率保持在健康水平約1.77倍(二零零三年：4.3倍)。本集團年終之銀行及現金結餘約為港幣29,500,000元(二零零三年：港幣18,900,000元)。

資本開支承擔

資本承擔

於二零零四年十二月三十一日，本集團約有港幣32,172,000元(二零零三年：無)已訂約惟未計入財務報表之物業、廠房及設備之資本開支。

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Pledge of Assets

At 31 December 2004, the Group had no pledge of assets.

At 31 December 2003, the Group's bank deposits amounted to approximately HK\$912,000 were pledged to secure banking facilities granted to the Group.



Funding raising

Placing of 140,000,000 existing shares and subscription of new shares

Pursuant to the placing and subscription agreement dated 15 January 2004, Charm Management Limited, a substantial shareholder of the Company, placed 140,000,000 shares of HK\$0.01 each in the capital of the Company at HK\$0.05 per share to over six independent third parties and on 27 January 2004 subscribed for 140,000,000 new shares at HK\$0.05 per share. The net proceeds received by the Company under the subscription were approximately HK\$6.8 million and were utilized as general working capital.

Rights Issue

On 12 February 2004, rights issue agreement was entered into between Charm Management Limited, Kingsway Financial Services Group Limited and the Company pursuant to which the Company offered one rights shares at HK\$0.05 per rights share for every two existing shares. The net proceed was approximately HK\$20 million.

As referring to the announcement dated 12 February 2004, the Board proposed partially apply net proceed of HK\$6.1 million from the Rights Issue to invest in a packing material production factory in PRC. Owing to the Company was not able to reach consensus with the vendor the proposed investment was suspended. The Company has utilized the aforesaid fund as general working capital.

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資產抵押

於二零零四年十二月三十一日，本集團並無資產抵押。

於二零零三年十二月三十一日，本集團約有港幣912,000元之銀行存款已作抵押，以獲取授予本集團銀行信貸。

集資

配售140,000,000股現有股份及認購新股份

根據日期為二零零四年一月十五日之配售及認購協議，本公司之主要股東Charm Management Limited按每股股份港幣0.05元之價格，向超過六名獨立第三方配售本公司股本中140,000,000股每股面值0.01元之股份，並於二零零四年一月二十七日按每股股份港幣0.05元之價格認購140,000,000股新股份。根據認購，本公司收取之所得款項淨額約為港幣6,800,000元，已用作為一般營運資金。

供股

於二零零四年二月十二日，Charm Management Limited、滙富金融服務有限公司及本公司訂立供股協議，據此持有每兩股現有股份獲本公司提呈發售一股供股股份，每股供股股份之價格為港幣0.05元。所得款項淨額約為港幣20,000,000元。

誠如二零零四年二月十二日之公佈所述，董事會建議把供股之所得款項淨額其中港幣6,100,000元投資於中國一間包裝物料製造工廠。鑑於本公司與賣方未能達成共識，該投資建議已經終止。本公司已將上述資金用作一般營運資金。

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Placing of 250,000,000 existing shares and subscription of new shares

Pursuant to the placing agreement and subscription agreement both dated 17 November 2004, Charm Management Limited, a substantial shareholder of the Company, placed 250,000,000 shares of HK\$0.01 each in the capital of the Company at HK\$0.058 per share to over six independent third parties and on 30 November 2004 subscribed for 250,000,000 new shares at HK\$0.058 per share. The net proceeds received by the Company under the subscription were approximately HK\$14.1 million, of which (i) HK\$11 million used for the expansion of the Group's toys and premium business; and (ii) as to the remaining HK\$3.1 million utilised as the general working capital.

MATERIAL ACQUISITIONS

Acquisition of 60% equity interest in Yanyan Force Limited ("Yanyan Force")

On 8 January 2004, Prosper Overseas Limited ("Prosper Overseas"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which Prosper Overseas agreed to acquire 60% of the issued share capital of Yanyan Force which is engaged in trading of toys, gifts and premium business for the total consideration of HK\$6,036,000. The Vendor has undertaken profit guarantee to Prosper Overseas that the net profit of Yanyan Force for the period ended 30 June 2004 will not be less than HK\$2 million. The net profit of Yanyan Force for period ended 30 June 2004 was HK\$2.2 million.

Acquisition of 100% equity interest in GFT Holding Limited ("GFT Holding")

On 20 July 2004, Prosper Overseas entered into a sale and purchase agreement with its connected persons pursuant to which Prosper Overseas agreed to acquire the entire issued share capital of GFT Holding for a total consideration of HK\$5,000,000. GFT Holding owns two subsidiaries namely

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配售250,000,000股現有股份及認購新股份

根據日期同為二零零四年十一月十七日之配售協議和認購協議，本公司之主要股東Charm Management Limited按每股股份港幣0.058元之價格，向超過六名獨立第三方配售本公司股本中250,000,000股每股面值港幣0.01元之股份，並於二零零四年十一月三十日按每股股份港幣0.058元之價格認購250,000,000股新股份。根據認購，本公司收取之所得款項淨額約為港幣14,100,000元，其中(i)港幣11,000,000元用作擴充本集團之玩具及禮品業務；及(ii)餘款港幣3,100,000元用作為一般營運資金。

重大收購

收購欣科有限公司(「欣科」)60%股權



於二零零四年一月八日，本公司之全資附屬公司興旺海外有限公司(「興旺海外」)與一名獨立第三方(「賣方」)訂立買賣協議，據此，興旺海外同意向從事玩具、禮品及贈品業務之欣科購入其已發行股本之60%。此項收購之總代價為港幣6,036,000元。賣方向興旺海外有限公司保證，欣科截至二零零四年六月三十日止期間之純利將不少於港幣港幣2,000,000元。截至二零零四年六月三十日止期間，欣科之純利為港幣2,200,000元。

收購GFT Holding Limited(「GFT Holding」)100%股權

於二零零四年七月二十日，興旺海外與其關連人士訂立買賣協議，據此，興旺海外同意以總代價港幣5,000,000元購入GFT Holding全部股權。GFT Holding分別擁有利志有限公司及宏科(香港)有限公司。GFT Holding集團從事消費品之買賣、

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New Challenge Limited and Great Force Technology Limited. GFT Holding group is engaged in trading, marketing and manufacturing of consumer products including toys and electronic products. This acquisition was completed on 30 September 2004. Further details of this acquisition are included in the Company's circular dated 31 August 2004.

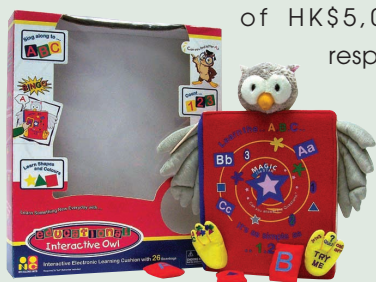
Acquisition of a land use right, buildings and ancillary facilities in PRC

On 22 December 2004, Hong Ke Dian Zi (Huizhou) You Xian Gong Si *宏科電子(惠州)有限公司 ("Hong Ke"), an indirect wholly-owned subsidiary entered into an asset transfer agreement with its connected party pursuant to which the connected party agreed to transfer a land use right and the industrial building and ancillary facilities erected thereon for a total cash consideration of RMB8 million (equivalent to approximately HK\$7.5 million). This acquisition was completed on 4 March 2005. Further details of this acquisition are included in the Company's circular dated 20 January 2005.

MATERIAL DISPOSAL

During the year, the Group ceased to operate its loss making business in food and beverage in Singapore by disposing of the entire equity interest in Bestcorp Investment Inc for the total consideration of HK\$100,000.

The Group further disposed of its entire interests in Capital Bright International Ltd., and TG Securities Limited which was engaged in securities trading business for cash consideration of HK\$5,000,000 and HK\$4,000,000 respectively.



* En English translation name

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銷售及製造業務，包括玩具及電子產品。此項收購已於二零零四年九月三十日完成，其進一步詳情載於本公司日期為二零零四年八月三十一日之通函內。

於中國收購土地使用權、樓宇及配套設施



於二零零四年十二月二十二日，間接全資附屬公司宏科電子(惠州)有限公司(「宏科」)與其關連人士訂立資產轉讓協議，據此，關連人士同意轉土地使用權以及建於其上之工業樓宇及配套設施，有關之總代

價為人民幣8,000,000元(相當於約港幣7,500,000元)，已以現金支付。此項收購已於二零零五年三月四日完成，其進一步詳情載於本公司日期為二零零五年一月二十日之通函內。

重大出售

年內，本集團以總代價港幣100,000元出售於Bestcorp Investment Inc之全部股權，以終止其於新加坡有虧損之飲食業務。

本集團進一步出售其於Capital Bright International Ltd.,及TG Securities Limited(從事證券買賣業務)之全部股權，現金代價分別為港幣5,000,000元及港幣4,000,000元。

* 英譯名稱

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CONTINGENT LIABILITIES

On 8 October 2004, the Company received a writ regarding the litigation instituted by Mr. Kwok Chin Wing, a former director of the Company, in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investments Limited, for a sum of approximately HK\$44.5 million and accrued interest thereof. The directors of the Company, after seeking advice from legal advisors, are of the opinion that the plaintiff does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

FOREIGN CURRENCY EXPOSURE

The Group currently earns revenue and incurs expenses mainly in Hong Kong dollars, US dollars and Renminbi. As the Hong Kong dollar is pegged to US dollars and the fluctuation in the exchange rates between Hong Kong dollars and Renminbi has been relatively small in recent year, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities. The Group will conduct periodic review of its exposure to foreign exchange risk.

HUMAN RESOURCES

As at 31 December 2004, the Group had approximately 98 employees in Hong Kong and Mainland China.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. Share options may be granted to senior management as a recognition of their contribution and an incentive to motivate them.

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或然負債

於二零零四年十月八日，本公司前董事郭展榮先生就本公司兩家前附屬公司（樂家實業有限公司及展昌投資有限公司）所欠貸款約港幣44,500,000元連同應計利息而提出訴訟，本公司收到有關令狀。本公司董事尋求法律顧問意見後認為，原告人並無有效理據控訴本公司，因而此事不應對本集團之財政狀況構成重大不利影響。



外匯風險

本集團目前賺取之收入和產生的支出主要以港幣、美元和人民幣計值。由於港幣與美元掛鈎，而近年港幣與人民幣之間的匯率波動較小，本集團相信其面對之外匯風險微乎其微，因此並無進行任何對沖工具活動。本集團將定期對其涉及外匯風險之投資作出審閱。

人力資源

於二零零四年十二月三十一日，本集團於香港及中國大陸僱用約98名僱員。

本集團按現行市場條件及個人表現支付酬金予僱員，並定期檢討酬金福利及政策。除薪金及銷售佣金外，亦會於評估本集團及個別僱員之表現後，向僱員發放酌情花紅。高級管理層可獲授購股權，作為對彼等所作貢獻之確認及激勵彼等之獎勵。

